

SECTION VI:
REPORTS AND OTHER INFORMATION

Department of Health and Human Services FY 1999 and 1998 Prompt Payment Report Summary

Fiscal Year Ending September 30, 1999 and 1998

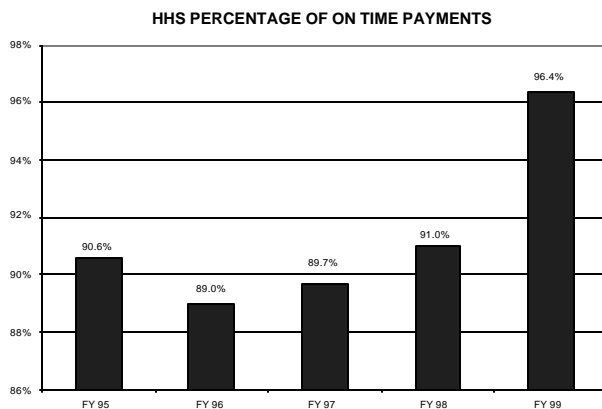
	<u>1999</u>	<u>1998</u>
I. Invoices paid subject to the Prompt Payment Act and OMB Circular A-125:		
A. Dollar value of invoices	\$ 5,442,692,282	\$ 4,407,139,852
B. Number	1,269,584	1,114,740
II. Invoices paid late:		
A. Dollar value	\$ 440,713,958	\$ 560,334,680
B. Number (sum of II.C.2, and II.F.I.b.)	44,490	100,781
C. Late payment interest penalties paid:		
1. Dollar amount	\$ 692,902	\$ 990,788
2. Number	21,108	48,561
3. Relative frequency (II.C.2./I.B.)	1.66%	4.36%
D. Additional penalties paid for failure to pay interest penalties:		
1. Dollar amount	\$ -	\$ -
2. Number	-	-
3. Relative frequency (II.D.2./I.B.)	0.00%	0.00%
F. Interest and other late payment penalties which were due but not paid:		
1. Total: (99.9% were less than \$1)		
a. Interest dollars	\$ 17,630	\$ 43,821
b. Number	23,382	52,220
III. Invoices paid 8 days or more before due date, except where cash discounts taken:		
A. Subject to a determination under section 4.1 of circular A-125:		
1. Dollar amount	\$ 74,894,986	\$ 59,869,051
2. Number	67,633	58,298
3. Relative frequency (III.A.2./I.B.)	5.33%	5.23%

PROMPT PAYMENT

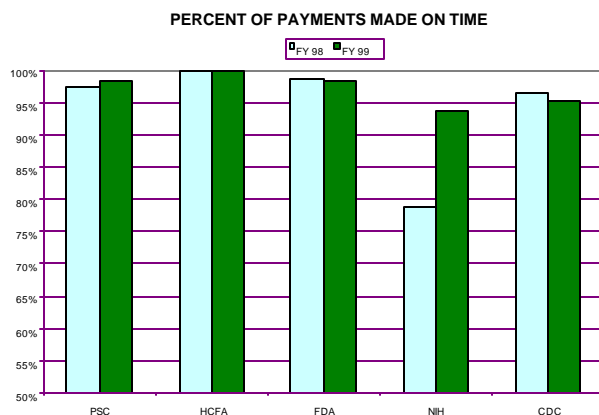
Prompt payment of vendor invoices is an important part of cash management since it reduces the amount of late payment interest penalties. During FY 1999 HHS:

- Paid 1.3 million vendor invoices valued at \$5.4 billion
- Paid 96.4% of these items on time, compared to 91% of time for FY 1998
- Paid interest penalties of \$692,902 on 1.66% of vendor payments
- Paid an average penalty of \$32.83 and an average of \$127 in late payment penalties for every \$1 million in vendor payments.

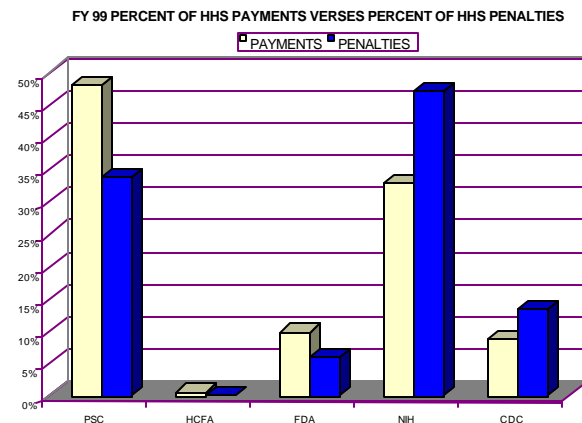
The FY 1999 rate of on time payments was the highest ever achieved by the Department and is a significant improvement over the last few years, as shown in the chart below.



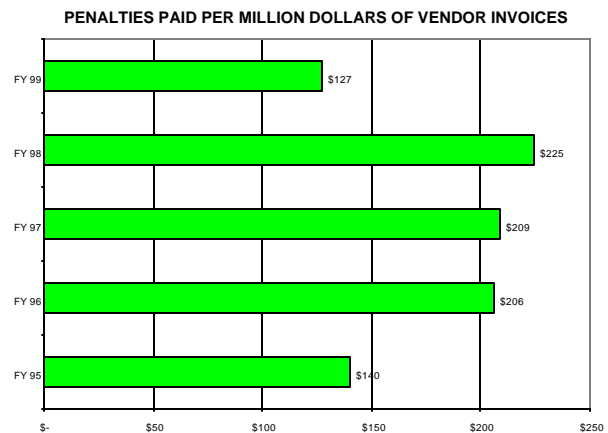
The improved prompt pay performance resulted in the Department exceeding its goal of making 95% of all vendor payments on time. During FY 1999 four of the five Department's payment components were able to exceed the 95% on time goal while the other component reached 93.5% for the year. The next chart shows performance by payment component for FY 1998 and FY 1999.



NIH is the second largest vendor payment office, paying 32.9% of all HHS vendor invoices in FY 1999, and therefore its performance has a major impact on the Department. As the previous chart shows, NIH made a dramatic improvement in on time payments in FY 1999. The next chart reflects the impact of each payment component's performance on the Department totals by showing the percent of HHS vendor payments verses the percent of HHS late payments interest penalties for each component during FY 1999.



The dollar value of invoices paid in FY 1999 increased by over 23%, compared to FY 1998, and the number of invoices increased by 14%. The dollar amount of interest penalties paid decreased by 30% compared to FY 1998, while the number of penalties dropped by 56%. The goal is to reduce the amount of penalties paid as much as possible. Prompt pay performance is monitored and to keep penalties paid in perspective, the amount of penalties paid per each million dollars of invoices paid is tracked and is shown in the next chart.



CIVIL MONETARY PENALTIES

Civil Monetary Penalties (CMP) are non-criminal penalties for violation of Federal law. The Federal Civil Penalties Inflation Adjustment Act of 1990 provides for periodic evaluation to ensure that CMPs maintain their deterrent value and that the imposed penalties are properly accounted for and collected. HCFA is the only OPDIV that has CMPs. Our FY 1999 CMP report is summarized below.

FY 1999 Civil Monetary Penalties Report		
Outstanding Receivables	Number	Amount (in Dollars)
Beginning FY 1999 Balances	222	210,077,869
Assessments (+)	524	43,515,590
Collections (-)	(174)	(27,752,153)
Adjustments	(39)	(14,573,773)
Amounts Written Off	0	0
Ending Balance	533	211,267,533
a. Current Receivables	449	79,299,648
b. Non-Current Receivables	84	131,967,885
Allowance		42,732,753
Net Receivables	533	168,534,780
Total Delinquent	408	201,981,245
Total Non-Delinquent	125	9,286,288

HHS FISCAL YEAR 1999 FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) COMPLIANCE REPORT

Fiscal year 1999 is the third year for which auditors, who are auditing the financial statements of Executive Agencies, are required to report on whether or not the agencies are in substantial compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996. Under FFMIA, the auditors are required to report whether HHS financial management systems substantially comply with the federal financial management systems requirements, the federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement the auditors using the implementation guidance for FFMIA included in OMB Bulletin 98-08 and performed the required test of compliance and reported their findings in the annual financial statement audit report.

The fiscal year 1998 financial statement audit revealed three instances where HHS financial management systems did not substantially comply with FFMIA requirements. The three instances identified were:

- (1) accounting systems not adequate to prepare reliable and timely financial statements;
- (2) lack of an Integrated Financial System at the Medicare Contractor and change process for recognizing Medicare Secondary Payer (MSP) receivables; and
- (3) EDP Systems Control weaknesses at HCFA's Central Office, Medicare contractors, and the Payroll System.

The same three instances of non-compliance were cited in fiscal year 1999; however, substantial progress was made in each of the areas. Also all financial and financial-mixed systems/applications were Y2K compliant. The HHS FFMIA Remediation Plan is provided in the CFO's Financial Management Status Report and Five Year Plan, published annually. The following is a summary of some of the corrective actions taken and the current status for each of the areas of non-compliance.

1. HHS Accounting Systems were not adequate to prepare reliable and timely financial statements.

The initial focus was on improving the quality of data in the accounting systems. In fiscal year 1999 revised departmental reconciliation guidance was issued and periodic reconciliations in key areas were implemented; but were not conducted throughout the entire year. In addition, an automated system was developed and implemented to improve the process for preparing departmental financial statements.

2. Lack of Integrated Accounting System to capture expenditures at the Medicare Contractor level.

HCFA has eliminated the MSP receivable section of the fiscal year 1998 non-compliance by revising the criteria for the establishment and reporting of MSP receivables and have adjusted the MSP receivable balances to the true economic value.

Efforts to implement an Integrated Accounting System were delayed because of Y2K initiatives. HCFA has now developed a long-range multi-year plan for an integrated general ledger system.

3. EDP Systems Controls weaknesses at HCFA Central Office, and Medicare contractors.

Full resolution of these issues was delayed because of Y2K initiatives. The OIG acknowledged in its findings that HCFA had made substantial improvement in the areas of systems access control, application software development, and change control. HCFA has developed a Corrective Action Plan to resolve this finding in FY 2000.

The Payroll EDP processing systems control issues cited in fiscal year 1998 were resolved.

HHS FY 1999 FEDERAL MANAGERS FINANCIAL INTEGRITY ACT REPORT ON SYSTEMS AND CONTROLS

A. Background

HHS' management control program under the Federal Managers Financial Integrity Act (FMFIA), reflects the Department's continuing commitment to safeguard the resources entrusted to us by reducing fraud, waste and abuse and preventing financial losses in HHS programs. HHS continually evaluates its program operations and systems utilizing management reviews, systems reviews, CFO financial statement audits and other OIG and GAO audits, etc. to ensure the integrity and efficiency of its operations. Consistent with revised OMB Circular A-123, *Management Accountability and Control* and the *CFO 5 Year Plan*, HHS program managers continue to improve management controls by identifying and correcting management control deficiencies.

The Department's FMFIA program supports a key objective in our CFO 5 Year Plan to respond to our diverse customers' needs by ensuring that the financial information for their programs is accurate and that the financial systems and processes that support them maintain the highest level of integrity.

In addition to our primary goal of obtaining a clean audit opinion on our financial statements, we have a related goal of resolving all internal control material weaknesses and reportable conditions cited by the auditors, as well as those identified through FMFIA management control reviews and systems reviews. OPDIVs need to have written strategies for assessing management controls on an ongoing basis and these strategies for assessing management controls should be consistent with the 1999 CFO 5 Year Plan goals and targets and CFO audit Corrective Action Plans (CAPs).

HHS has developed corrective action plans to address all of the findings resulting from the financial statement audits, including qualifications/ material weaknesses and reportable conditions, and corrective actions are underway. In addition, in response to the May 26, 1998 Presidential Memorandum: "Actions to Improve Financial Management", since July 1998 HHS has reported quarterly to OMB on the status of corrective action for the qualifications in our FY 1998 financial statement audit. We plan to update our corrective action plan in April to reflect the findings from the FY 1999 financial statement audits which are described elsewhere in this Accountability Report.

B. Summary of the Report

The FMFIA Annual assurance required by the Act is contained in the Message from the Secretary at the beginning of this Accountability Report. The details of this year's FMFIA Annual Report, in addition to this narrative summary, are in the statistical summary on page VI - 4.5, which reflects the cumulative total of material weaknesses identified and corrected including a total of six pending material weaknesses. A listing of the six material weaknesses, which includes one new material weakness identified in FY 1999, is shown on page VI - 4.6. The FMFIA-style corrective action plans (CAPs) for the six pending material weaknesses begins on page VI - 4.7.

Three of the six material weaknesses were reported by the auditors in the FY 1999 HHS-wide CFO financial statement audit: 1) Financial Systems and Reporting; 2) Medicare Accounts Receivable; and

3) Medicare EDP Controls. The remaining three material weaknesses are the result of OIG program audits and/or internal management reviews and were included in prior year FMFIA reports.

In last year's report we determined that financial reporting did not reach a level of significance that required reporting to the President and Congress under FMFIA. However, in the FY 1999 HCFA financial statement audits, as well as the audits of several OPDIVs, problems related to account analyses and reconciliation were identified which were deemed material in HCFA under FMFIA. The exhibit, *Financial Systems and Reporting (HHS-99-01)*, contains HCFA's corrective action plan with milestones as well as milestones for addressing the Department-wide financial systems and reporting problems.

Exhibit HHS 99-01 reflects that HCFA did not independently verify the Medicare Hospital Insurance/Supplemental Medical Insurance (HI/SMI) Trust Fund balances, did not reconcile these accounts at a sufficiently detailed level and used ineffective methodologies to calculate HI and SMI transfers. These errors caused the HI Trust Fund to be overfunded by \$14 billion and the SMI Trust Fund to be underfunded by \$18 billion. As a result of these errors, the HI Trust Fund earned excess interest in the amount of about \$154 million and the SMI Trust Fund lost interest earnings in the amount of about \$237 million for FY 1999. HCFA also did not periodically validate the National Claims history file to ensure the existence and completeness of the data. The File was missing 100 million Medicare claims amounting to over \$13 billion – or more than 25 percent of the processed claims – from June until December 1999. HCFA has already developed and begun implementation of a CAP to resolve the trust fund error and prevent a recurrence as reflected in the CAP's milestones which indicate completion in FY 2000. HCFA has also resolved the problem with the National Claims History File.

Regarding Medicare Accounts Receivable (Exhibit HCFA 97-01), HCFA has made substantial efforts to resolve this material weakness which was identified as a qualification by the auditors in the HCFA FY 1997 and FY 1998 financial statement audits. The short-term milestones to address the FY 1998 audit qualification have been implemented and the qualification has been reported as resolved in the FY 1999 financial statement audit. However, the long-term solution to the Medicare accounts receivable issue is the development of an integrated accounting system for Medicare contractors which is planned for FY 2004.

This report also reflects the combining of two 1998 material weaknesses for Medicare EDP into one. This is consistent with the FY 1999 HHS-wide and HCFA CFO financial statement audits, which identify Medicare EDP as one material weakness with two parts. The two parts of the Medicare EDP material weakness are reflected in this report as follows: (a) *Improve Medicare Contractors Systems Application Controls, Exhibit HCFA 98-01a* (formerly HCFA 98-01); and (b) *System Access Controls at HCFA Central Office, Exhibit HCFA 98-01b* (formerly HCFA 98-02). The CAPs for these material weaknesses reflect that corrective action is now scheduled for completion in FY 2000.

C. CFO Financial Statement Audits and the FMFIA

In the FY 1998 CFO financial statement audits, certain OPDIVs were cited by the auditors for a reportable condition based on the fact that their 1998 FMFIA Reports did not report an FMFIA material weakness for each of the CFO audit material weakness. We have been working closely with OIG staff on an approach to bring the 1999 FMFIA Report and the CFO audits closer together as follows:

- All material weaknesses and instances of systems non-compliance with the Federal Financial Management Improvement Act (FFMIA) identified in the FY 1998 CFO audits, including any which the OPDIV may be aware of from the 1999 CFO audit at the time they prepared their FMFIA Report, were required to be reported to the Department. This is also consistent with Revised OMB Circular A-123 that requires that "...a deficiency should be reported if it is or should be of interest to the next level of management."
- OPDIVs were asked to recommend which, if any, of their CFO audit material weaknesses and FFMIA non-compliances should be included as an FMFIA material weakness in the Department's Report, i.e., are significant enough to be reported outside the agency to the President and Congress.
- Under existing departmental policy a corrective action plan is required for all CFO audit material weaknesses which are tracked under the CFO audit process. However, for those material weaknesses and FFMIA non-compliances the OPDIV recommends for inclusion in the Department's FMFIA Report, OPDIVs were required to include a corrective action plan in the FMFIA format and submit it with their report. Those material weaknesses which resulted from the CFO audits and are included in the Department's 1999 FMFIA report were described under "Section B" above.

However, all of the audit material weaknesses, with the exception of those discussed in Section B, are not included in the Department's FMFIA report because HHS believes that the remaining material weaknesses do not reach a level of significance that require reporting to the President and Congress as defined under Revised OMB Circular A-123. Further, as stated previously, HHS requires corrective action plans to address all of the findings resulting from the CFO financial statement audits, including qualifications/ material weaknesses and reportable conditions. Reporting all CFO audit material weakness in the Department's FMFIA report would duplicate the CFO process.

D. Federal Financial Management Improvement Act (FFMIA) and Section 4 FMFIA

The auditor's opinion on the Department-wide FY 1999 CFO financial statement audit identified three instances of non-compliance with the FFMIA, which are reported elsewhere in the HHS Accountability Report. The FFMIA non-compliances are as follows:

1. The accounting systems used by HHS and the operating divisions were not adequate to prepare reliable and timely financial statements (also known as financial systems and reporting).
2. HCFA did not have an integrated accounting system to capture expenditures at the Medicare contractor level.
3. The HCFA central office and Medicare contractor access and application control weaknesses were significant departures from requirements of OMB Circulars A-127, Financial Management Systems, and A-130, Management of Federal Information Resources.

(1) Financial Systems and Reporting

As stated above, HHS is declaring a Departmentwide material weakness in financial systems and reporting in this year's Report. The auditors reported instances of non-compliance including: adjusting financial statement amounts but not the underlying general ledger; using accounts not prescribed by the U.S. Standard General Ledger (SGL); and not posting accounts in accordance with prescribed SGL rules. However, HHS systems remain in overall compliance with Section 4 of the FMFIA.

(2) Financial Management Controls at the Medicare Contractors

Regarding financial management controls for Medicare contractors, HCFA has made substantial progress; however its efforts to complete corrective action, including efforts to implement an integrated accounting system for HCFA and the Medicare contractors, have been delayed due to the need to first address Y2K issues. HCFA has now developed a long range multi year plan for an integrated general ledger system. In the meantime, HCFA continues to utilize information collected from the contractors for the standard general ledger as part of the entry into HCFA's accounting system, which is validated through reviews performed by central office staff. Therefore, the Department believes that the lack of an integrated accounting system at this time does not constitute an FMFIA Section 4 non-compliance.

(3) EDP Controls

As reported above, HCFA has carried over two material weaknesses from the FY 1998 report addressing the need for EDP controls including systems access and application controls at the HCFA central office and the Medicare contractors. Full resolution of these issues was delayed because of Y2K initiatives. The OIG acknowledged in its findings that HCFA had made substantial improvement in the areas of systems access control, application software development and change control. HCFA has developed a Corrective Action Plan to resolve this finding in FY 2000.

The Payroll EDP processing systems control issues cited in FY 1998 were resolved.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Statistical Summary of FMFIA Material Weaknesses and Non-Conformances
Management Control

	Number of Material Weaknesses		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending:
Prior Years	344	336	3 1/
1997 Report	3	2	1
1998 Report	2	0*	1*
1999 Report	1	0	1
Total	349	338	6 ¹
Of the total number corrected, how many were corrected in 1999? <u>0</u>			

Financial Management Systems

	Number of Material Non-Conformances		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending:
Prior Years	11	8	0 2/
1997 Report	0	0	0
1998 Report	0	0	0
1999 Report	0	0	0
Total	11	8	0 ¹
Of the total number corrected, how many were corrected in 1999? <u>0</u>			

¹ The number of corrected and pending material weaknesses from prior years does not add to the total pending because: a) excludes 1 pending material weakness formerly reported by HHS for the Social Security Administration (SSA) is being reported by SSA in their accountability report; b) excludes 3 HCFA deficiencies formerly reported as material weaknesses, since these deficiencies are no longer material and, therefore, do not require reporting outside the agency; and c) includes an adjustment of -1 to reflect combining HCFA Medicare Secondary Payer (HCFA 89-01) with HCFA Accounts Receivable (HCFA 97-02).

² The number of corrected and pending material non-conformances does not add to the total reported because this number excludes 3 pending material non-conformances formerly reported by HHS for the Social Security Administration. SSA now reports on the status of those material non-conformances in their accountability report.

* Two 1998 material weaknesses for Medicare EDP Controls: (HCFA 98-01) and HCFA 98-02 have been combined into one material weakness with two parts and have been renumbered as HCFA 98-01a and HCFA 98-01b. This is consistent with the FY 1999 HCFA CFO financial statement audit.

Department of Health and Human Services 1999 Pending and New Material Weaknesses Under FMFIA Reporting

No.	Title and Identification Code	Year First Reported	Target Date for Correction in 1998 FMFIA Report	Current Target Date for Correction
	DEPARTMENTWIDE			
1.	Financial Systems and Reporting (HHS 99-01)	1999	N/A	FY 2000
	ADMINISTRATION FOR CHILDREN AND FAMILIES			
2.	Need to Increase Efforts to Promote Improvements in State Controls over Child Support Collections (ACF-90-05)	1990	FY 2000	FY 2005
	HEALTH CARE FINANCING ADMINISTRATION			
3.	Improved Financial Reporting to Properly Account for Medicare Accounts Receivable and Other Financial Information (HCFA 97-02)	1997	FY 2000	FY 2004
4a*	Medicare EDP Controls: a) Improve Application Controls for Medicare Contractors (HCFA 98-01a); and	1998	FY 1999	FY 2000
4b*	b) Improve System Access Controls in HCFA Central Office (HCFA 98-01b)	1998	FY 2000	FY 2000
	FOOD AND DRUG ADMINISTRATION			
5.	Weak Enforcement in the Import Food Inspection Program (FDA 89-02)	1989	FY 1999	FY 2000
	NATIONAL INSTITUTES OF HEALTH			
6.	NIH-Deficiencies in Technology Transfer Activities (PHS-93-02)	1993	FY 1999	FY 2001

NOTE: The number of material weaknesses reported on in this section is consistent with the number shown on page VI - 4.5.

* Two 1998 material weaknesses for Medicare EDP Controls: (HCFA 98-01) and HCFA 98-02 have been combined into one material weakness with two parts and have been renumbered as HCFA 98-01a and HCFA 98-01b and are listed as 4a and 4b. This is consistent with the FY 1999 Department and HCFA CFO financial statement audits.

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HHS 99-01)**

<u>Title and Description of Material Weakness:</u> Financial Systems and Reporting: Departmentwide routine periodic reconciliations and account analyses were not done throughout the year which resulted in various problems including:	
<p>a) Departmentwide: Numerous material adjustments were needed to financial statements at year-end before reliable financial statements could be produced and provided to the auditors. These included instances of: adjusting financial statement amounts, but not the underlying general ledger; using accounts not prescribed by the U.S. Standard General Ledger (SGL); and not posting accounts in accordance with prescribed SGL rules.</p> <p>b) HCFA: Lack of account analysis and validation led to inaccurate balances in the Hospital Insurance/Supplemental Medical Insurance (HI/SMI) Trust Funds and missing Medicare benefit claims data. HCFA did not independently verify the Medicare Hospital Insurance/Supplemental Medical Insurance Trust Fund balances, did not reconcile these accounts at a sufficiently detailed level and used ineffective methodologies to calculate HI and SMI transfers. HCFA also did not periodically validate the National Claims history file to ensure the existence and completeness of the data. However, the National Claims History File problem has been resolved and internal controls have been strengthened to ensure the accuracy of trust fund balances.</p>	
<u>Pace of Corrective Action</u> Year Identified: 1999 Original Targeted Correction Date: N/A Correction Date in Last Report: NA Current Correction Date: FY 2000	Lead Managerial Contact: Department: Sue Mundstuk, Director, Division of Accounting and Fiscal Policy HCFA: Jeff Chaney, Director, Division of Accounting, Financial Service Group, Office of Financial Management Source of Discovery: FY 1999 financial statement audit by OIG and other sources. Appropriation/Account #:
<u>For Corrected Items Only</u> Validation Process Used: Results Indicators:	

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HHS 99-01)****Description of Material Weakness (Continued)****a) Financial Systems and Reporting, Department-wide:**

To address the problem that routine analyses and reconciliations were not being done throughout the year, the Department revised its procedures in guidance issued July 29, 1999 to strengthen requirements for periodic analyses and reconciliations. Various reconciliation/account analysis problems were identified in several OPDIVs which were most material in HCFA as noted below.

b) Financial Reporting, HCFA**Trust Fund Reconciliation:**

During fiscal year (FY) 1999, a series of bookkeeping errors caused the Medicare Hospital Insurance (HI) Trust Fund to be overfunded by \$14 billion and the Supplemental Medical Insurance (SMI) Trust Fund to be underfunded by \$18 billion. As a result of these errors, the HI Trust Fund earned excess interest in the amount of about \$154 million and the SMI Trust Funds lost interest earnings in the amount of about \$237 million for FY 1999. The net total loss of interest to the Medicare Trust Funds is approximately \$83 million. The Office of the Actuary is reviewing and finalizing these amounts.

During the last 9 months of FY 1999, the monthly adjustments that were made between the estimated amount deposited into the transfer accounts during the month and the actual Medicare benefit outlays were made in error. For example, if funds remained in the transfer accounts at month end, and funds were to be returned to the Medicare Trust Funds, the actual adjustment that was made had the effect of transferring additional funds to the transfer accounts. In addition, the adjustments were not reconciled to month-end transfer account balances shown on the Undisbursed Appropriation Account Ledger (FMS-6653) report, which the Department of the Treasury's Financial Management Service supplies to agencies monthly. Finally, it appears that, because of insufficient training, staff did not understand that the large month-end transfer account balances on the FMS-6653 (positive or negative amounts) were indicative of problems in the adjustment process. It is evident that the checks and balances designed to prevent these kinds of errors from occurring were not effective, and supervision was not adequate. A CAP has been developed to address this situation and to prevent these problems from occurring again.

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HHS 99-01)**

Briefly define (purpose, scope, methodology, resources) the corrective action plan (CAP) that corrects/improves this material weakness

Department: Working with the Office of Inspector general, evaluation teams will be formed consisting of Department and OIG staff. The teams will focus on critical reconciliation issues in the OPDIVs to resolve audit findings and avoid future audit findings. Specific tasks include: 1) determine if OPDIVs have proper internal control procedures in place; 2) if so, determine that proper financial reporting procedures are being followed; and 3) test the procedures to see if they are effective. OIG will also test the Medicare National Claims History file.

HCFA: As part of HCFA's CAP to correct the trust fund error, HCFA has taken steps to correct the error by making the necessary transactions to decrease the balance of the HI Trust Fund and to increase the balance of the SMI Trust Fund. HCFA is in the process of seeking approval/authority to reduce the HI Trust Fund interest revenue and to increase the SMI Trust fund interest revenue. HCFA has performed a detailed analysis of the Medicare Trust Funds account activity and processes affecting this account to determine the reason for these internal control weaknesses and to eliminate them in the future. Consequently, we have implemented procedures that will ensure that employees involved in the process have the appropriate level of expertise and that each person involved in the process fully understands his/her assigned duties.

HCFA has instituted protocols to provide qualified and continuous supervision to ensure that employees adequately perform their assigned duties, and has established a formal system of monthly reconciliations and analyses of key financial data that includes readily available supporting documentation and senior management approval.

5) CAP Milestones for FY 2000

Scheduled Due Dates

Financial Reporting HHS-wide

Form evaluation teams of Department and OIG staff

June, 2000

Build an efficient process for producing financial statements in the PSC and NIH financial systems

June, 2000 (start date)

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HHS 99-01)**

CAP Milestones for FY 2000

Scheduled Due Dates

HCFA – Trust Fund Reconciliation

A. Analyze the condition of the Trust Funds Account as of October 1999 and determine the corrective action necessary to eliminate the cause and internal control weaknesses of the inappropriate account balances and to correct the error.

October 1999

Milestone status: Completed

B. Determine the impact on the interest earnings on the Trust Funds account

October 21, 1999

Milestone status: Completed

C. OMB, Treasury and HHS are in negotiations to determine the appropriate actions to correct the interest earnings in the HI and SMI Trust Fund accounts.

ASAP

Milestone status: In process

D. Strengthen internal controls to prevent future errors by making the adjustment to the Trust Fund Accounts on the 6th day of the month, which is the next day after the required source documents are received in the Division of Accounting.

November, 1999

Milestone Status: Completed.

1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HHS 99-01)

CAP Milestones for FY 2000**Scheduled Due Dates****HCFA (Continued)**

E. Implement monthly use of the Benefit Adjustment spreadsheet for use in performing analyses, calculations and verification of the monthly Trust Fund Account adjustment.

November 18, 1999

Milestone status: Completed.

F. Develop written, detailed procedures on the use of the Benefit Adjustment spreadsheet and the preparation of the Statements of Non expenditure Transfers (SF-1151's and current Month's Statement of transactions (SF-224's).

March 15, 2000

Milestone Status: In process. Procedures have been drafted

G. Staff responsible for preparing the SF-1151 and the SF-224 received detailed training for the preparation of these forms and the use of the Benefit Adjustment spreadsheet.

November 18, 1999

Milestone Status: Completed

H. All supporting documentation will be reviewed and approved at least monthly by an Accountant, the Accounting Systems Management Branch Chief, Division of Accounting Director, and the Deputy Director of the Financial Services Group. The package will contain the transmittal letter to Treasury, the required SF-1151, the Benefit Adjustment spreadsheet and the source documents to support the adjustment. The signature on the letter and any SF-1151 returning funds to the Trust Funds will be that of the Director, Division of Accounting.

November 18, 1999

Milestone Status: Completed.

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HHS 99-01)****ADDITIONAL BACKGROUND INFORMATION ON TRUST FUNDS**

The Medicare Trust Funds are invested in interest-bearing securities managed by the Department of the Treasury. Medicare benefit payments are paid out of non-interest bearing accounts commonly referred to as transfer accounts. There are two separate transfer accounts, one for HI and one for SMI. Each week, based on estimated Medicare benefit outlays, the Department of the Treasury transfers (deposits) funds from the Medicare Trust Funds into the Medicare transfer accounts. Then, as Medicare benefits are paid throughout the month by our contractors, the outlays are charged to the transfer accounts.

The deposits into the transfer accounts are based on estimates. At the end of the month, the actual Medicare benefit outlays are determined by HCFA's Division of Accounting (DA), and an adjustment is made between the estimated amounts that have been deposited into the transfer accounts and the actual Medicare benefit outlays that have occurred. If the estimate was too high during the month, and excess funds were deposited into the transfer accounts, funds are returned from the transfer accounts to the Medicare Trust Funds. However, if the estimate was too low, and insufficient funds were deposited into the transfer accounts, then additional funds are transferred from the Medicare Trust Funds into the transfer accounts.

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(ACF-90-05)**

Title and Description of Material Weakness: Increase Office of Child Support Enforcement (OCSE) Internal Control Efforts to Promote Improvements in State Financial Controls Over Child Support Collections and Expenditures - ACF-90-05.

Increased federal stewardship is needed to promote adequate internal controls and cash management practices states establish to guarantee that child support collections are safeguarded and distributed properly, that unidentified collections are reconciled, and that interest on collections is offset against program expenditures.

Pace of Corrective Action

Year Identified: 1990

Original Targeted Correction Date: FY 1999

Correction Date In Last Year's Report: FY 2000

Current Correction Date: FY 2005

Reason for Change in Dates:

Name of Responsible Program Manager: David Ross

Source of Discovery: Management assessment report dated August 1990; and recent management reviews by OCSE Audit Division

Lead Managerial Contact: Keith Bassett

Appropriation/Account #: 75XI501

Validation Process Used: Upon request, managers will be held accountable for providing appropriate documentation to the Agency or Department to validate the correction of the material weakness.

Results Indicators:

1. Staffs in both the ACF Regional Offices and the States should be trained in the area of internal controls and cash collection responsibilities.
2. Potentially inappropriate financial reporting of Child Support Collections and interest earned on these collections should be identified in a more timely manner.

Title of Material Weakness: Need to Increase OCSE Internal Control Efforts to Promote Improvements in State Financial Controls Over Child Support Collections and Expenditures.

VI-4.14

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-97-02)**

Title and Description of Material Weakness: Improved financial reporting to properly account for Medicare Accounts Receivable and other financial information.

The HHS Office of Inspector General (OIG) has not been able to provide assurance as to the reasonableness and accuracy of the AR in the Health Care Financing Administration's (HCFA) financial statement reported by the Medicare contractors due to the lack of documentation to support AR activity. A revised corrective action plan (CAP) was implemented during FY 1999 to address this issue. In FY 1999, HCFA worked diligently to improve the financial reporting of its accounts receivable and other financial information at contractor sites. As a result, we have achieved many of our goals including: the issuance to all contractors of revised Financial Reporting Policies, the development and issuance of clear policies on write-offs and adjustments, and the development of a revised policy for identifying and reporting Medicare Secondary Payor receivables. However, many Medicare contractors remain limited in their financial reporting because they still lack general ledger systems that incorporate double entry book keeping. As a result, some Medicare contractors are still unable to adequately and consistently support their financial reporting activities in accordance with HCFA policies. For this reason HCFA believes this issue will still be considered a material weakness in FY 1999.

Pace of Corrective Action

Year Identified: FY 1997

Original Targeted Correction Date: FY 1999

Correction Date in Last Report: N/A

Current Correction Date: 1999

Name of Responsible Program Manager: G. Jeff Chaney, Director,
Division of Accounting, FSG/OFM

Source of Discovery:

Appropriation/Account #:

For Corrected Items Only

Validation Process Used:

Results Indicators:

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-97-02)**

Briefly define (purpose, scope, methodology, resources) the corrective action plan (CAP) that corrects/improves this MW:

HCFA continues to provide instructions/guidance to the Medicare contractors on reconciling their quarterly financial reports to existing HCFA data to ensure accurate reporting. As HCFA progresses toward its long-term goal of developing an integrated financial management system, we continue to provide training and guidance to Medicare contractors regarding good financial reporting through educational activities, internal audits and self-assessments. HCFA will continue to use consultants to evaluate the validity and completeness of the Medicare accounts receivable.

Overall Status of Material Weakness at the Close of FY 1999 (global progress toward correcting/improving this weakness over this fiscal year).

All short term corrective actions for FY 1999 have been completed. In addition to our revised policies, HCFA entered into an agreement with the OIG to hire independent public accountants to provide consulting services to assist the agency in validating the accuracy and completeness of its accounts receivable. The consultants performed work at contractor locations that accounts for approximately 81 percent of the outstanding AR balance reflected in the agency's financial statement. Additionally, OIG performed similar work to validate AR at HCFA CO and RO.

The implementation of the revised policies and other initiatives undertaken in this FY have resulted in significant adjustments and write-offs made to HCFA's AR balance. HCFA identified about \$4.3 billion of AR that were corrected in our financial statements this year. This \$4.3 billion is made up of three segments: (1) \$2.7 billion referred to as currently not reportable, (2) \$1.3 billion in adjustments and (3) \$.3 billion written off primarily due to the expiration of the statute of limitations. The \$1.3 billion (principal and interest) reflected in HCFA's financial reporting, resulted from the validation effort performed by the OIG and the consultants, and revised policies and supplemental guidance provided by HCFA to the Medicare contractors.

CAP Milestones for FY 2000

Scheduled Due Dates

Identify CAP Milestones for FY 2000

Scheduled Due Dates

A. HCFA will continue to provide general and specific guidance to Medicare contractors regarding financial reporting activities, specifically in reconciling their financial data to HCFA records.	Ongoing
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Milestone status: Ongoing

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-97-02)**

CAP Milestones for FY 2000

Scheduled Due Dates

B. HCFA will continue monitoring contractors' AR data and supporting documentation particularly regarding write-offs and the identification and adjustment of MSP receivables. Ongoing

Milestone status: Ongoing

C. HCFA will continue using consultant firms to support and review AR balances. March 31, 2000

Milestone status: In the planning phase.

D. HCFA will test financial management internal controls at about 25 Medicare contractors using Certified Public Accounting Firms. FY 2000

Milestone status: In Progress.

E. Long-Range Plan Milestone

Develop, an integrated general ledger system for all Medicare contractors. FY 2004

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-98-01a)**

Title and Description of Material Weakness: Medicare EDP Controls. Note: This material weakness is in two parts as reported by the auditors in the HCFA FY 1999 financial statement audit: a) Improve Systems Application Controls for Medicare Contractors (HCFA 98-01a); and b) System Access Controls in HCFA Central Office (HCFA 98-01b). Following is a description and corrective action plan (CAP) for (a) Improving Systems Application Controls for Medicare Contractors. (Note: The CAP for the second part can be found at exhibit HCFA 98-01b immediately following this exhibit.)

There are three parts to this material weakness: 1) One fiscal intermediary had developed and implemented an override library that gave locally changed programs higher execution priority over the standard Fiscal Intermediary Shared System (FISS) Programs provided by the FISS maintainer; 2) At one fiscal intermediary, the programmers made local changes to the FISS programs outside of the Program Assistance request (PAR) process. Program changes performed locally are not subjected to the same documentation, authorization, testing, quality assurance, and other requirements present in the standard PAR process; and 3) The Medicare Carrier System (MCS) is the carrier shared system and the MCS application contains numerous edits and audits. Although the carriers do not have MCS source code, the application, by design, allows them to deactivate almost all of the edits in the application, including mandatory HCFA edits.

Pace of Corrective Action

Year Identified: 1998

Original Targeted Correction Date: FY 1999

Correction Date in Last Report: NA

Current Correction Date: FY 2000

Lead Managerial Contact: Edward King, Director, Business Systems Operations Group, Office of Information Services

Source of Discovery: FY 1997 financial statement audit by OIG

Appropriation/Account #: Bureau of Program Operations, HCFA

For Corrected Items Only

Validation Process Used:

Results Indicators:

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-98-01a)****Briefly define (purpose, scope, methodology, resources) the corrective action plan (CAP) that corrects/improves this material weakness**

The identified weaknesses related to the FISS and the MCS are currently being addressed. The specific local site that made the changes to the FISS code took actions to formally document the changes. The finding identified for the NCS system related to the exact duplicate edits was fixed in April 1998. As a long term solution, the process will be enhanced to limit overrides and to provide reasonable assurance that only authorized access to source code and programs is permitted. The will require the development and implementation of policies and procedures for safeguarding programs/systems that support claims processing and financial functions. Suggested control objectives have been provided to Medicare contractors for consideration as part of their internal control certification process for FY 2000.

Summarize status of Material Weakness corrective action plan at the close of FY 1999 (identify progress in correcting/improving this weakness, explain any missed milestones, etc.):

HCFA has made notable progress regarding EDP. All short term corrective actions for 1999 have been implemented. Other corrective actions have begun, but the end results are not yet evident.

Contractors have access to source codes to allow them to take immediate action in emergency situations to resolve abnormal program ends that would otherwise potentially cause serious payment to processing delays and to accommodate individual intermediary requirements such as writing special printing hardware interfaces to handle print utilities. After all Y2K activities are completed, HCFA will begin development of EDP strategies that do not require HCFA to release source codes but continue to allow contractors to take immediate action to resolve processing problems.

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-98-01a)****CAP Milestones for FY 2000****Scheduled Due Dates**

A. FISS - Local contractor(s) review and document local changes to the PAR.

Ongoing

Milestone status: Ongoing.

B. Develop procedures which allow contractors to resolve processing problems without requiring use of the source code.

FY 2000

Milestone status: Will begin after completion of Y2K activities.

C. Implement system changes to establish internal controls:
a) hard code HCFA mandated payment edits into standard systems or local contractor systems. b) implement access control to production program libraries.

FY 2000

Milestone status: Will begin after completion of Y2K activities.

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-98-01b)**

Title and Description of Material Weakness: Medicare EDP Controls. This is the second part of the material weakness called Medicare EDP Controls as reported by the auditors in the HCFA FY 1999 financial statement audit: System Access Controls in HCFA Central Office (HCFA 98-01b). Following is a description and corrective action plan (CAP) for Systems Access Controls in the HCFA Central Office.

Direct command-line access to the M204 database has been granted to approximately 150 applications developers and Data Base Administrators (DBAs). With the knowledge of file names and database update passwords, these developers can intentionally or inadvertently modify or update the data structures within specific regions of the M204 database. The M204 database product is used to store data for many of HCFA's sensitive applications, including, but not limited to, the Automated Payment Plan System, Enrollment Database and Group Health Plan Applications.

Pace of Corrective Action

Year Identified: 1998

Original Targeted Correction Date: 1999

Correction Date in Last Report: FY 2000

Current Correction Date: FY 2000

Lead Managerial Contact: Dennis Read – Director, Technology Infrastructure Group, Office of Information Services

Source of Discovery: FY 1997/FY 1998 financial statement audits by OIG

Appropriation/Account #:

For Corrected Items Only

Validation Process Used:

Results Indicators:

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-98-01b)**

Briefly define (purpose, scope, methodology, resources) the corrective action plan (CAP) that corrects/improves this material weakness

HCFA will use the utility product SIRSAFE to enhance M204 security controls. HCFA workgroup developed and provided training on SIRSAFE to the Group Health Plans system developers and owners in November 1999. Because of Y2K priorities and deadlines, HCFA was unable to meet its December 1999 implementation target date. The implementation process for SIRSAFE is now scheduled to begin in January 2000. Training for the other M204 developers and owners will be held the week of January 10, 2000. A detailed project plan has been developed for this effort. Also activities have been planned for intensifying training, awareness and Medicare contractor oversight in the year 2000.

Summarize status of Material Weakness corrective action at the close of FY 1999 (progress in correcting/improving this weakness, explanation of any missed milestones, etc.):

Much of our energy during 1999 was spent ensuring that our systems meet the Y2K requirement. We have made progress in addressing some of the EDP concerns addressed in the 1998 audit. Many of the corrective actions have been implemented but the end results are not yet evident.

CAP Milestones for FY 2000

Scheduled Date

A. Provide training to GHP system Developers and owners on implementing SIRSAFE security utility.

November, 1999

Milestone status: Complete

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-98-01b)****CAP Milestones for FY 2000****Scheduled Date**

B. Provide training on SIRSAFE security utility to other M204 developers and owners.

February 2000

Milestone status: Complete.

C. Improve the process to control M204 access via a commercial product that should be in place by January 2000.

September 2000

Milestone status: In process.

D. Continue to enhance access controls through improvements in training, risk assessments, system administration, and internal audits.

Ongoing

Milestone status: HCFA has contracted the services of experienced personnel to provide assistance in the areas of Security Training & Awareness; Security WEB Site Development; Network Security Testing; Security Plan Development; Systems Accreditation; Security Engineering; Security Architecture; Technology Assessment; Physical Security; Disaster Recovery; and Emergency Response.

These efforts are an integral part of the HCFA Enterprise Systems Security initiative.

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(FDA-89-02)**

Title and Description of Material Weakness: Weakness in the Enforcement Program for Imported Foods in the Food and Drug Administration (FDA) - (FDA-89-02). The Office of Inspector General reported that FDA did not inspect a large enough sample of imported foods to ensure the safety of the public health.	
<u>Pace of Corrective Action</u> Year Identified: 1989 Original Targeted Correction Date: 1990 Correction Date in Last Year's Report: FY 1999 Current Correction Date: FY 1999 Reason for Change in Dates:	Name of Responsible Program Manager: Dennis Baker Source of Discovery: OIG (Report A-15-90-00001) and internal FDA management reviews. Appropriation/Account # 7520600
Validation Process Used: A corrective action review will be completed following correction of the material weakness.	
Results Indicators: FDA determined that a 20 percent minimum inspection rate to assure the safety of the imported foods was unrealistic. As a result, a revised strategy for how the Agency will deal with imported foods has been prepared. FDA's new approach will focus on products and problems which present a high risk to the American public, or firms and countries of origin which have a history of noncompliance.	

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(FDA-89-02)**

Title and Description of Material Weakness: Weakness in the Enforcement Program for Imported Foods in the Food and Drug Administration (FDA)

Major Milestones	Milestone Dates		
<p><u>(a) Completed actions/events:</u> FDA uses a structural and selective sampling method, based on both the entry level and product intelligence to provide an effective level of examination coverage. This assessment is supported by historical data covering the period of 1972-1992.</p> <p>FDA developed a Revised Imports Strategy which embodies intelligence based sampling of imports to provide an effective level of coverage, and includes performance indicators. With this new approach, FDA focuses its import activities on products and problems presenting a high health risk to the American public, or firms and countries of origin which has a history of non-compliance. Electronic screening, improved strategic alliances and improved premarket and postmarket surveillance are key components of the revised strategy.</p> <p>FDA has expanded the use of an electronic entry processing system (EEPS) for imports using the Custom's Automated Commercial System. EEPS enables FDA to screen import entries and electronically make "May Proceed" decisions on products of low risk and high compliance rates. At this time, EEPS has been implemented at all major ports where electronic entry of imports is available.</p> <p>FDA plans to maintain its pre-market surveillance through a vigorous foreign inspection program designed to identify problems at their source. FDA completed 866 foreign inspections during FY 1995. This represents an increase of 16.7% from FY 1994 accomplishments. This total includes inspection of 65 food firms.</p> <p>DIOP received approval from CDER to expand ACS screening criteria for drug products. This should increase the "May Proceed" level from the current rate of 60%. FDA completed 829 foreign inspections during FY 1996. The number of foreign inspections planned in FY 96 was 1418. This represents a decrease of 4.3% from FY 1995 accomplishments.</p> <p>The number of foreign inspections planned for FY 1997 was 997. This total includes inspection of 40 food firms. FDA completed 811 foreign inspections during FY 1997. This represents a decrease of 2.2% from FY 1996 accomplishments.</p>	Original Plan	Revised Plan	<p align="center">Actual Date</p> <p align="center">1992/93</p> <p align="center">FY 1994</p> <p align="center">FY 1995</p> <p align="center">FY 1996</p> <p align="center">FY 1997</p>

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(FDA-89-02)**

	Original Plan	Revised Plan	Actual Date
FDA completed 938 foreign inspections during FY 1998. The number of foreign inspections planned was 976. This represents a 15.6% increase over FY 1997 accomplishments.	FY 1998		1998
Complete the full roll-out of OASIS version 2 to all district offices.	FY 1998		1998
The default "May proceed" rate for all food commodities has been set at 70% or greater. However, the "May proceed" rate measured at any particular time may be lower as FDA intensifies a problem with a firm, country or product. These adjustments are considered essential to FDA surveillance activities.	FY 1998		
(b) <u>Actions Completed During FY 1999:</u> The number of foreign inspections planned for FY 1999 is 987. This included inspection of 40 food firms. FDA completed 810 foreign inspections during FY 1999. This total includes the inspection of 87 foreign food firms.	FY 1999		1999
c) <u>Planned/continuing agency actions:</u> All facets of the Revised Imports Strategy will continue to be implemented and evaluated. The number of foreign inspections planned for FY 2000 is 942. This included inspection of 175 food firms. FDA continues to develop and evaluate agreements with foreign governments whose requirements and regulatory infrastructure are equivalent to FDA's. As these agreements are developed and finalized, surveillance resources can be targeted toward countries whose internal requirements supply less assurance of compliance with U.S. requirements. The rate of increase in imported entries has been too rapid to maintain the 4% examination rate. In FY 1997, the agency processed 2,765,548 line items of food and performed 47,478 physical examinations. This represents an examination rate of 2%. Further, based on projections from entry data for the first 9 months of FY 1998, there will be approximately 3,348,000 line items of food offered for entry, a 21% increase in entry lines over FY 1997 data. Since maintaining the 4% examination rate is not realistic, FDA believes that identifying forms and countries with inspection systems comparable to those in the United States and in accordance with the Food Safety Initiative is a viable alternative to increasing the point of entry examination of FDA regulated products.	FY 2000		

**1999 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(PHS-93-02)**

<p>Title and Description of Material Weakness: Deficiencies in the Public Health Service Technology Transfer Activities</p> <p>Deficiencies were noted in the PHS technology transfer activities. The technology transfer deficiencies include: (1) the management information systems are inadequate; (2) the processes to ensure that royalties and other payments are received are inadequate.</p>	
<p><u>Pace of Corrective Action</u> Year Identified: 1993 Original Targeted Correction Date: 1994 Correction Date in Last Year's Report: FY 1999 Current Correction Date: FY 2001 Reason for Change in Dates: Contractor failed to provide system in accordance with contract terms and budget. Program is seeking new contract to complete the work or develop a new system to replace the current system.</p>	<p>Name of Responsible Program Manager: Dr. Maria Freire</p> <p>Source of Discovery: NIH Alternative Management Control Review</p> <p>Appropriation/Account #: 7530846</p>
<p>Validation Process Used: NIH management will be required to demonstrate to the Department that corrective actions have been completed. This will be followed by a Corrective Action Review within one year to demonstrate that corrective actions taken remain effective.</p> <p>Results Indicators: Existence of policies, procedures,, and information system.</p>	

**1999 FMFIA MATERIAL WEAKNESS: SCHEDULE OF CORRECTIVE ACTIONS
(PHS-93-02)**

Title of Material Weakness: Deficiencies in the Public Health Service Technology Transfer Activities

Major Milestones	Milestone Dates		
	Original Plan	Revised Plan	Actual Date
1. OTT will improve its information systems so its staff can more easily determine what costs have been incurred, billed and collected.	Oct. 98	June, 2001	
2. OTT will revise the current model license agreements used by NIH to include standard language on auditing; develop criteria for use in determining whether or not an audit should be requested by NIH; and obtain ICD approval to enter into contracts to conduct audits as required.	Oct. 98		Aug. 98
3. OTT will improve its information systems, so it can accurately document the status of each patent application.	Oct. 98	June, 2001	
4. OTT will develop an integrated management information system that will effectively track and report on CRADAs, inventions, patent prosecution status and costs, licensing, and receipt of royalty payments for domestic and foreign filed cases.	Oct. 98	June 2001	
5. OTT will update the Technology Transfer Policy Manual, Chapter 206, and establish clear internal procedures on the processing and content of infringement log items.	March 98		March 98
6. Information from the infringement log will be migrated to the new data system where it will be maintained in the future.	Oct. 98	June 2001	
7. OTT will review how the new process for announcing the availability of technologies is working after it has been in effect for one year.			Oct. 98
<div>Part I: Conduct an analysis</div> <div>Part II: Complete an Evaluation</div>	<div>June 98</div> <div>Nov. 98</div>		Oct. 98
8. OTT will make further adjustments, as necessary, to reduce the amount of time between the filing of a patent application and publication of the abstract in the Federal Register.	Nov. 98		Aug.98 and ongoing
9. OTT will provide assistance and guidance, as necessary, in preparing technology training, and will provide oversight to ensure the training provided by the ICDs is conducted properly.	Oct.98 and ongoing		
Note: Items 1, 3, 4, and 6 are tied to the completion of the new OTT data system.			

Management Report On Final Action



October 1, 1998 - September 30, 1999

MANAGEMENT REPORT ON FINAL ACTION

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MANAGEMENT REPORT ON FINAL ACTION

October 1, 1998 - September 30, 1999

BACKGROUND The Inspector General Act Amendments of 1988 (IGAA) require departments and agencies to report twice a year to Congress on the actions they have taken and the amount of funds recovered or saved in response to the IG's audit recommendations. This report gives the status of IG reports in the Department, and summarizes the results of actions taken to implement IG audit recommendations during the reporting period.

DEPARTMENTAL FINDINGS For the fiscal year covered by this report, the Department accomplished the following:

- o Initiated action to recover \$259 million through collection, offset, or other means (see Table I);
- o Completed action to recover \$93 million through collection, offset, or other means (see Table I);
- o Initiated action to put to better use \$862 million (see Table II);
- o Completed action that over time will put to better use \$997 million (see Table II).

At the end of this period there are 239 reports over a year old with uncollected balances or unimplemented monetary findings. The reasons these reports are still pending are found in the notes to the tables.

THE HHS PROCESS There are three key elements to the HHS audit resolution and follow-up process:

- o The Operating Divisions (OPDIVs) have lead responsibility for implementing and follow-up on IG audit recommendations.
- o The Assistant Secretary for Management and Budget (ASMB) establishes policy and monitors OPDIV compliance with audit follow-up requirements.

MANAGEMENT REPORT ON FINAL ACTION (continued)

- o If necessary, the ASMB or the Deputy Secretary resolves conflicts between the OPDIVs and the IG.

Departmental Conflict Resolution

In the event that OPDIV and IG staff cannot resolve differences on specific report recommendations, a conflict resolution mechanism is available.

The conflict resolution process escalates the disagreement through a series of steps designed to resolve the conflict within six months of the final audit report. If the OPDIV and the IG cannot resolve their disagreement within 135 days, the IG, OPDIV or the ASMB may request that the Audit Resolution Council (ARC) be convened. The Deputy Secretary, who would chair the ARC, makes the final decision for the Department. There were no disagreements requiring the convening of the Council.

STATUS OF AUDITS IN THE DEPARTMENT

In general, OPDIVs follow up on IG recommendations effectively and within regulatory time limits. The OPDIVs usually reach a management decision within the six-month period that is prescribed by PL 100-504 and OMB Circular A-50. For the most part, they also complete their final actions on IG reports, including collecting disallowed costs and carrying out corrective action plans, within a reasonable amount of time. However, we continue to monitor this area to improve procedures and assure compliance with corrective action plans.

Report on Final Action Tables

The following tables summarize the Department's actions in collecting disallowed costs and implementing recommendations to put funds to better use. The tables are set up according to the requirements of section 106(b) of the IG Act Amendments of 1988 (PL 100-504).

TABLE I

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Management Action on Costs Disallowed in
Inspector General Reports
As of September 30, 1999
(\$ in thousands)

	Number	Disallowed Costs \$
A. Reports for which final action had not been taken by the commencement of the reporting period. See Note 1.	289	369,247
B. Reports on which management decisions were made during the reporting period. See Note 2.	263	258,729
Subtotal (A & B)	552	627,976
C. Reports for which final action was taken during the reporting period:		
(i) The dollar value of disallowed costs that were recovered through collection, offset, property in lieu of cash, or otherwise.	230	93,001
(ii) The dollar value of disallowed costs that were written off by management.	15	3,403
Subtotal (i & ii)	245	96,404
D. Reports for which no final action has been taken by the end of the reporting period. See Note 3.	307	531,572

Note 1: Includes adjustments of amended disallowances and disallowances excluded from the previous reporting period.

Note 2: This represents the amount of management concurrences with Inspector General's recommendations. This amount includes \$7,230,000 in management decisions that had not been recorded for the 1999 Office of Inspector General's Semi-Annual Reports, Table I, Line C.

Note 3: Includes the following lists of 239 Audits over one year old with outstanding balances to be collected. It includes audits under administrative or judicial appeal, under current collection schedule and legislatively uncollectible.

**Audit Reports Over One Year Old
With Outstanding Balances To Be Collected
As of September 30, 1999**

	Auditee	Date Issued	Amount \$	Explanations
01-90-05013	NARRAGANSETT	10/90	28,515	ACF--At Dept. of Treasury for offset.
01-91-06601	Connecticut/OCS	03/94	224,099	ACF--At Dept. of Treasury for offset.
01-94-25303	Waterbury/OCS	09/94	4,370	ACF--Payment Plan.
01-94-25904	Massachusetts/CC	02/95	9,225	ACF--under appeal.
01-95-32620	Connecticut/FC	05/97	4,070	ACF--Pursuing collection action.
01-95-37194	Indian Township	03/96	44,244	ACF--under appeal.
01-96-38182	Connecticut/FC	09/96	50,292	ACF--under appeal
01-96-39813	Pleasant Point/L	11/96	18,265	ACF--Treasury Offset Program.
01-96-43461	Connecticut/IV-E	01/97	1,902	ACF--under appeal.
01-97-44081	Vermont	10/97	28,252	ACF--pursuing collection action.
01-98-49834	Meri-Weather	05/98	60,864	ACF--Treasury offset program.
02-90-08393	Law Enforcem Comm.	06/90	22,597	ACF--Treasury offset program.
02-91-14405	Bedford Stuyvesa	03/92	369,770	ACF--partial appeal.
02-91-14535	Bedford Stuyvesa	03/92	373,231	ACF--referred to DOJ.
02-91-14845	Harlem Commonwealth	05/91	238,233	ACF--payment plan.
02-94-20022	New York IV-E	02/97	6,223,000	ACF--pursuing collection action.
02-95-02001	New York IV-E	02/97	945,022	ACF--pursuing collection action.
02-95-02005	Middlesex County	12/96	173,656	ACF--under appeal.
02-95-33649	Puerto Rico	12/96	1,433	ACF--under appeal.
02-97-47637	Puerto Rico IV-B	09/97	9,703	ACF--pursuing collection action.
03-91-14545	PA/WIN/Demo	06/91	800,885	ACF-under appeal.
03-92-17167	NI Coal Hispanic	06/92	1,555	ACF--At Dept. of Treasury for offset.
03-93-21104	PA/CSBG	03/94	150,000	ACF--under appeal.
03-94-27065	PA/CSBG	09/95	150,000	ACF--under appeal.
03-95-33212	PA/CSBG	09/95	137,207	ACF--under appeal.
03-95-00451	DC/Foster Care	08/97	420,606	ACF--pursuing collection action.

	Auditee	Date Issued	Amount \$	Explanations
03-96-39886	Halifax CCA/HS	05/96	53,280	ACF--Payment plan.
03-97-00587	Little Neighbor	01/98	300,465	ACF--Treasury offset program.
03-97-43787	Virginia/CCDBG	06/97	952,635	ACF--pursuing collection action.
03-97-47731	Delaware	09/97	11,880	ACF--pursuing collection action.
03-97-48111	Virginia/CCDBG	09/97	1,201,873	ACF--pursuing collection action.
03-97-48850	Little Neighborhood	11/97	91,193	ACF--At Dept. of Treasury for offset.
04-89-06323	Tallapoosa CAA	04/90	35,934	ACF--payment plan.
04-91-06594	Mountain Valley	09/92	196,213	ACF--referred to DOJ.
04-92-17186	Mountain Valley	09/92	203,420	ACF--referred to DOJ.
04-93-23833	Mountain Valley	07/93	212,759	ACF--referred to DOJ.
04-93-00051	Haitian Task	03/94	200,207	ACF--referred to DOJ.
04-93-00059	Florida/ORR	12/97	24,088	ACF--Treasury offset program.
04-93-20785	Florida/Refugee	12/93	64,929	ACF pursuing collection action.
04-94-26346	PUTNAM-CLAY	09/94	86,292	ACF--At Dept. of Treasury for offset.
04-94-28234	NW GEORGIA	02/94	578,045	ACF--Treasury Offset Program.
04-94-29814	Reach Services	09/94	804	ACF payment plan.
04-94-30737	Mountain Valley	07/94	39,095	ACF referred to DOJ.
04-94-31826	W. CENTRAL GEORGIA	07/94	141,243	ACF-Treasury Offset Program.
04-95-32922	PUTNAM-CLAY-FLAG	01/95	284,172	ACF-- pursuing collection.
04-95-36519	DEKALB COUNTY	08/95	81,245	ACF pursuing collection.
04-96-38688	State of KY.	10/96	271,612	ACF pursuing collection.
04-96-42408	Oldham County	10/96	5,793	ACF-under appeal.
04-96-44126	Anderson-Oconee	02/97	143,366	ACF Treasury Offset Program.
04-97-44101	Tennessee IV-Ep	01/98	370,446	ACF--pursuing collection action.
04-97-45327	Mobil Community	07/97	127,705	ACF- Treasury Offset Program.
04-97-47475	Wash County Opp	11/97	273,151	ACF--payment plan established.

	Auditee	Date Issued	Amount \$	Explanations
04-97-49121	Florida	05/98	282,553	ACF-Treasury offset program.
05-95-00022	Illinois/IV-E	07/96	2,742,181	ACF pursuing collection action.
05-97-48402	Montgomery Cty.,CAA	11/97	79,374	ACF-District Court.
06-90-00052	Mexican Amer/Dis	04/92	1,590,600	ACF referred to DOJ.
06-94-32825	Texas Migrant/HS	04/95	70,556	ACF pursuing collection action.
06-95-36853	Albuq-Bernalilo	11/95	208,445	ACF under appeal.
06-96-40858	CADD0/HS	06/95	43,339	ACF--Payment plan .
06-96-42096	Education SV CT	09/96	728,757	ACF-under appeal.
06-97-44674	Tri-County	04/97	34,703	ACF- Treasury Offset Program.
06-97-45868	South Plains HS	07/97	1,972	ACF-under appeal
06-97-46216	E. Texas Family	09/97	12,497	ACF-Treasury Offset Program.
06-97-47730	Tri-County HE	12/97	2,451	ACF-Treasury Offset Program.
06-97-47939	Albuq/Bernalillo	08.97	210,330	ACF- Treasury Offset Program.
07-91-00413	Union Sarah Econ	01/93	633,625	ACF-Payment plan established.
08-91-15416	RAPID CITY AMER	02/92	30,257	ACF--Treasury Offset Program.
08-91-15417	RAPID CITY AMER	02/92	21,224	ACF--At Dept. of Treasury for offset.
08-92-00598	ANISHINAUBAG	08/93	43,267	ACF--At Dept. of Treasury for offset.
08-92-17549	RAPID CITY AMER	06/92	30,248	ACF--At Dept. of Treasury for offset.
08-96-01024	Child Opportunity Pro	06/97	1,483,771	ACF--pursuing collection action.
09-65148	YAVAPAI APACHE	08/86	14,814	ACF--At Dept. of Treasury for offset.
09-87-05251	YAVAPIA APACHE	04/88	32,662	ACF--At Dept. of Treasury for offset.
09-92-06592	Intertribal Cnl	09/93	181,900	ACF--payment plan.
09-92-06550	Butte County Cac	08/94	66,300	ACF--payment plan.
09-93-00083	California/Child Sup	09/97	1,429,837	ACF--pursuing collection action.
09-93-00106	California/Refugee	05/97	29,269	ACF--pursuing collection action.
09-93-21254	Arizona HS	09/93	184,274	ACF--At Dept. of Treasury for offset.
09-93-23668	CTR of EDUCATION	11/93	12,070	ACF pursuing collection.
09-93-23892	Fresno County HS	08/93	25,523	ACF--under appeal.
09-93-26204	Tohono Odham HS	02/94	90,077	ACF--under appeal.
09-94-27281	Arizona Affiliate	09/94	2,563	ACF--under appeal.

	Auditee	Date Issued	Amount \$	Explanations
09-94-28246	Butte County CAC	08/94	8,825	ACF--payment plan.
09-94-30207	Fresno County HS	11/94	22,062	ACF--under appeal.
09-95-31383	COCOPAH/HS	05/96	76,861	ACF--under appeal.
09-95-35961	Fresno County HS	08/95	29,215	ACF--under appeal.
09-96-00066	California	06/98	6,611,640	ACF--pursuing collection action.
09-96-00071	California/IV-E	04/98	15,693,626	ACF--pursuing collection action.
09-96-40113	Protec. & Advo.	04/98	80,574	ACF-under appeal.
09-96-40114	Protec. & Advo.	04/98	36,988	ACF-under appeal.
09-96-40115	Protec. & Advo.	04/98	56,344	ACF-under appeal.
09-96-42061	Tohono Odham HS	11/96	369	ACF-under appeal.
09-97-48953	Chemehuevi Ind.	06/98	5,246	ACF-under appeal.
01-89-00518	Blue Shield of MA	10/90	216,053	HCFA has instructed the carrier to calculate and recover the overpayments.
01-90-00500E	B/C of Massachusetts	09/90	7,048,076	HCFA and the hospital have signed a repayment agreement.
01-91-00508	AETNA LIFE-PARTS A&B ADM.	01/92	223,655	HCFA--Additional documentation from the contractor requests for review by OIG.
01-92-00517	BC of MA	04/93	160,122	HCFA is pursuing collection of the overpayment.
01-92-00523	MA BC/BS-Part B Lab Tests	01/94	2,250,000	HCFA is waiting a decision by the Assistant US Attorney in Boston pending criminal charges.
01-93-00512	BC/BS of MA - LAB TESTS	07/94	426,817	HCFA is pursuing collection of the overpayment.
01-94-00510	BC/BS of MS - ADM COSTS	04/95	130,299	HCFA is pursuing collection of the overpayment.
01-95-00005	DHS, NH DHS	07/96	30,565	HCFA is pursuing collection of the overpayment.
01-95-00503	G/A & CAPITOL MCLEAN HO - ADM COSTS	08/95	186,190	HCFA is pursuing collection of the overpayment.
01-96-00001	MASSACHUSETTS STATE DIVISION of MEDICAL ASSISTANCE	07/96	1,711,898	HCFA is pursuing collection of the overpayment.

	Auditee	Date Issued	Amount \$	Explanations
01-96-00513	Separately billable ESRDL Lab Test	12/96	6,300,000	HCFA sent tapes and instructions to Fis and Ros. OIG has not yet completed the carrier tapes.
01-96-00519	National Medical Care, Inc.	09/97	4,319,361	HCFA is pursuing collections.
02-86-62015	Empire BC/BS	03/88	1,277,575	Contractor appealed and court has ruled in favor of contractor. HCFA has filed an appeal in July 1993.
02-86-62016	EMPIRE BC/BS	08/88	3,027,672	Contractor has signed the closing agreement. An amended OCD is being prepared.
02-91-01003	EMPIRE BC/BS - OVERPAYMENTS	07/91	829,551	The contractor is in the process of recouping the overpayment.
02-91-01022	Prudential Ins.- ADM	03/92	6,837,167	HCFA is negotiating with the contractor on the outstanding overpayment.
02-91-01043	SSS - PART B/ESRD PATIENT	04/93	844,292	HCFA is in the process of collecting the overpayment.
02-92-01004	NJ DHS - CREDIT BALANCES FOR EIGHT HOSPITALS	09/93	89,839	Recovering of the overpayment is in progress.
02-92-01021	BCBSNJ - CREDIT BALANCES	06/95	14,900,000	HCFA is in the process of collecting the overpayment.
02-92-01023	BETH ISRAEL MED CTR - G&A	03/93	7,741	The contractor is in the process of removing the unallowable costs from the 1990 Cost Reports.
02-93-01005	EMPIRE BC/BS - PART B ADM	03/95	576,683	HCFA is pursuing collection of the overpayment.
02-93-01023	ISLAND PRO	10/94	155,540	Recovery of the overpayment is in progress.
02-96-01034	Staff Builders Home Health Incorporated	01/98	2,046,576	Recovery of the overpayment is in progress.
03-92-00150	ELMIRA JEFFRIES MNH	01/94	164,188	The State is in the process of collecting the overpayment.
03-92-00201	COMMONWEALTH of VA - CRED	01/93	205,177	The State is in the process of making a final determination on the overpayment.
03-92-00602	PA DPW - UPPER LIMIT	09/94	230,520	HCFA is pursuing collection of the overpayment.
03-93-00013	OMEGA MEDICAL LAB	11/93	1,102	HCFA is pursuing collection of overpayment.

	Auditee	Date Issued	Amount \$	Explanations
03-93-00025	PBS - LAB FEE SCHEDULES	09/95	953,377	HCFA is in the process of collecting the overpayment.
03-95-38380	COMMONWEALTH of VA (OGM)	03/96	68,333	HCFA is currently pursuing collection of overpayment.
04-91-02004	HCFA RO IV (FL BS - MSP)	09/93	4,147,919	Contractor is pursuing collection of the remaining overpayment.
04-92-01022	NC DEPT. of HUMAN RESOURCES	11/92	645,340	HCFA initiated a verification process to determine the final disposition of the hospital credit balances. This verification stage is ongoing, and HCFA anticipates that the audit may be closed in the near future.
04-93-20876	STATE of NC (OGCFM LEAD)	07/93	27,617	HCFA is awaiting documentation from the State to verify that funds were returned.
04-94-01096	HUMANA MEDICAL PLANS, INC. - ESRD	04/95	624,048	HCFA is pursuing collection of the overpayment with the contractor.
04-95-02110	SC BC (Hospice of Lake & Sumter, Inc.) - ORT	04/97	4,000,000	HCFA is reassessing this situation.
04-95-02111	SC BC (Hospice of Florida Suncoast, Inc.) - ORT	03/97	14,800,000	HCFA is reassessing this situation.
04-94-33005	STATE of MS (OGM)	08/95	63,140	HCFA will review the State's supporting documentation to ensure that the payment adjustments have been made.
04-95-33088	STATE of NC (OGM)	09/95	11,098	The State is in the process of determining how much of the overpayment has already been returned to HCFA.
04-95-38310	STATE of MS (OGM)	03/96	9,069,408	The State is in the process of determining how much of the overpayment has already been returned to HCFA.
04-96-01131	IHS -FL. (Green Briar) - ORT	11/97	202,780	HCFA is pursuing collection.
04-96-01132	BC/BS of FL (Miami Jewish Home and Hospital) - ORT	04/97	91,991	Contractor is pursuing collection of the remaining overpayment.
04-96-01138	BC/BS of FL (Lawnwood Reg. Med. Ctr.) - ORT	04/97	111,986	Contractor is pursuing collection of the remaining overpayment.

	Auditee	Date Issued	Amount \$	Explanations
04-96-01148	IHSI- SNE Burbank IL. - ORT	11/97	148,955	HCFA is pursuing collections.
-4-96-38655	State of NC (OGM)	01/97	5,053	HCFA is reviewing the State's supporting documentation to ensure that the payment adjustments have been made.
05-90-00013	BC/BS of MI - ADMIN	12/90	2,413,388	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
06-92-00043	BC/BS of Tx, Inc. - GME Costs	03/94	4,252,743	Collection activity suspended pending resolution of an objection lodged by two Medicare providers' legal counsel with the OIG, OGC on January 26, 1994.
06-95-00095	Palmetto Gov. Ben. Admin. (Fam Hospice/Dallas) - ORT	04/97	871,306	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.
06-96-00027	Palmetto Gov. Ben. Admin. (VNA of TX Hospice) - ORT	04/97	1,156,341	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.
06-97-47756	State of LA (OGM)	09/97	357,089	The amount identified in the audit is a statistical projection. The State is in the process of determining the actual provider overpayments.
07-91-00471	BC/BS OF MI - SEG.	12/92	5,021,873	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
07-91-00473	BC/BS of FLORIDA, INC PENSION SEGMENTATION	08/93	4,755,565	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension account.

	Auditee	Date Issued	Amount \$	Explanations
07-92-00525	BC/BS of MI, INC. - PENSION	12/92	2,135,884	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
07-92-00604	WVA BC/BS - Term Pension	01/93	617,644	Contractor was declared insolvent and placed in receivership. The DOJ has filed a claim on behalf of HCFA for the amount due HCFA. The courts will determine how much, if any, Medicare will recover.
07-92-00608	BC/BS of MISSOURI - DENIED OUTPATIENT CLAIMS	06/93	960,615	HCFA will be verifying that corrective action has been completed by the fiscal intermediary.
07-93-00680	BC/BS of NC - UNFUNDED PENSION COSTS	10/94	293,629	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-93-00712	PA BS - PENSION	05/95	521,675	HCFA is in the process of collecting the overpayment.
07-93-00713	PA BS - PENSION	06/95	5,490,995	HCFA is in the process of collecting the overpayment.
07-94-00744	IASD HEALTH SERVICES CORP. - PENSION SEGMENTATION	09/94	3,079,484	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreement will subsume and close out the currently outstanding pension audits.
07-94-00745	IASD HEALTH SERVICES CORP. - UNFUNDED PENSION	05/94	574,804	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.

	Auditee	Date Issued	Amount \$	Explanations
07-94-00746	IASD HEALTH SERVICES CORP. - PENSION SEGMENTATION	05/94	842,979	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00747	IASD HEALTH SERVICES CORP. - UNFUNDED PENSION	05/94	10,331	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00768	BC/BS of SC - PENSION SEGMENTATION	09/94	840,493	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00769	BC/BS of SC - PENSION COSTS	09/94	329,001	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00770	BC/BS of SC - UNFUNDED PENSION	09/94	793,508	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00777	BC/BS of GA - PENSION COSTS	10/94	90,736	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.

	Auditee	Date Issued	Amount \$	Explanations
07-94-00778	BC/BS of GA - UNFUNDED PENSION	10/94	363,921	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00779	BC/BS of GA - PENSION SEGMENTATION	10/94	113,256	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00805	BC/BS of TN - PENSION SEGMENTATION	01/95	1,400,063	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00816	BC/BS of TN - UNFUNDED PENSION	01/95	352,026	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-00817	BC/BS of AL - UNFUNDED PENSION	07/95	912,730	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.

	Auditee	Date Issued	Amount \$	Explanations
07-94-00818	BC/BS of AL - PENSION SEGMENTATION	07/95	951,281	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-94-01107	BC/BS of FL - PENSION SEGMENTATION	04/96	813,122	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-95-01126	BC/BS of FL - UNFUNDED PENSION	04/96	4,049,889	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-95-01149	BC/BS of TEXAS - PENSION	04/96	874,111	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
07-95-01150	BC BS of Oregon - Pen Segm	08/97	191,312	HCFA is pursuing collection of the overpayment.
07-95-01151	Oregon BC/BS - Unfunded PenE	08/97	260,335	HCFA is pursuing collection of the overpayment.
07-96-01189	BC of WA and AK -Pension segmentation	12/97	96,740	HCFA is pursuing collection.
07-96-38172	State of IA (OGM)	09/96	29,381	The State has processed the credits, however, they are still determining when the credits were returned to HCFA via the HCFA-64.
07-96-44051	State of IA (OGM)	02/97	45,958	HCFA is working with the State to resolve this audit.
07-97-01205	BC of Washington and Alaska	12/97	15,688	Review of pension costs claimed for Medicare reimbursement.

	Auditee	Date Issued	Amount \$	Explanations
07-97-01206	BC of Washington and Alaska-unfunded pension costs	12/97	106,843	HCFA is working to resolve this issue.
07-97-01209	BC/BS of MS	01/98	224,711	HCFA review of pension segmentation.
07-97-01210	BC/BS of MS	01/98	482,549	HCFA is working to resolve unfunded pension costs.
07-97-01211	BC/BS of MS	01/98	134,312	HCFA is working to resolve pension costs claimed for medicare reimbursement.
08-94-00739	BC/BS of ND - PENSION SEGMENTATION	01/95	730,875	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
08-94-00740	BC/BS of ND -UNFUNDED PENSION	01/95	671,198	HCFA is working with all Medicare contractors to obtain signed advance agreements which set forth the terms and conditions of the amended Cost Accounting Standards (CAS 412). Implementation of the advance agreements will subsume and close out the currently outstanding pension audits.
09-89-00162	NATIONWIDE EMPLOYER PROJECT - MSP PAYER	03/95	2,218,824	Demand letters were sent to employers listed in the audit. D.C. Circuit Court's decision in the HIAA vs. Shalala case will result in few recoveries of funds from EGHPs, because of EGHP's timely filing limits. HCFA is attempting to fix the HIAA decision via new legislation.
09-95-00072	CA DHS	11/96	4,013,490	HCFA is pursuing collection of the overpayment.
09-96-00061	BS of California	06/98	1,006,192	HCFA is reviewing administrative costs.
14-96-00202	Unlicensed Health Care Providers	09/97	2,931	HCFA is pursuing Medicare payments.
17-95-00096	HCFA Financial Statement	05/98	300,000	HCFA is reviewing financial statements for fiscal year 1996.

	Auditee	Date Issued	Amount \$	Explanations
17-97-00097	HCFA Financial Statement	09/98	141,796	HCFA is reviewing financial statements for fiscal year 1997.
01-06082	Rural Health Centers - Maine	12/90	23,163	HRSA demand letter sent on 2/26/97.
01-36087	State of Maine	03/96	2,643	HRSA--Demand letter sent 08/25/99.
02-06275	Newark Community Health Centers	11/90	14,038	HRSA--demand letter sent on 12/19/97.
02-15053	Northwest Buffalo Comm.	12/91	9,281	HRSA--Referred to DFO Claims 6/26/97.
02-16577	Newark Community Health Centers, Inc.	11/92	31,708	HRSA--Demand letter sent on 12/19/97.
03-03313	Greater Philadelphia Health Action, Inc.	06/93	13,940	HRSA--Repayment agreement reached.
03-18235	Western PA Hospital of Nursing	10/92	5,559	HRSA--Partial payment on 05/99.
03-21785	D.C. Department of Human Services	03/94	7,726	HRSA--Demand letter sent 12/19/97.
03-51956	St. Charles Health Council	09/98	2,300	HRSA--Demand letter sent 06/15/99
06-27049	Greater Houston HIV Alliance	09/94	20,752	HRSA--Demand letter sent on 12/19/97.
04-24751	Vicksburg-Warren Community Health Center	12/93	590	HRSA--Debt referred to Justice Dept. 01/05/99.
04-50281	Aaron E. Henry CHC	09/98	3,017	HRSA--Demand letter sent 06/15/99.
04-51913	Borinquen Health Care Center, Inc.	09/98	815	HRSA--Demand letter sent on 06/15/99.
07-06845	Model Cities Health Corp.	10/90	41,406	HRSA--Under appeal, verified 10/14/97.
09-22308	Community Hlth. Foundation of Los Angeles, CA., Inc.	09/93	36,968	HRSA--demand letter sent on 04/04/97.
06-91-00089	Creek Nation of OK.	04/92	445,890	IHS--We received a notification this matter has been resolved. The amended OCD will be forwarded shortly.
06-92-00017	Muscogee Creek Nation of OK.	05/92	468,217	IHS--This audit is currently under litigation; no further action will be taken until a court decision is rendered.
03-95-03313	Quality Resource Systems, Inc.	03/95	28,387	IHS--Management has decided to uphold these findings; the vendor has relocated and has not been notified.

	Auditee	Date Issued	Amount \$	Explanations
10-97-48639	Nooksack Indian Tribe	08/97	9,440	IHS-Currently under litigation.
03-90-00453	West Virginia	03/91	12,850,856	PSC/DCA-At District Court - Collection suspended on 03/12/97.
09-92-00115	California	02/95	140,880,675	PSC/DCA-At the Department of Justice - Collection suspended 12/30/96.
01-94-27891 01-95-36087	State of Maine	05/98	6,090,577	PSC/DCA -- Collection suspended.
08-87-05251	Devil Lake	03/87	50,333	OS--Transferred to the Treasury Offset Program (TOP) for offset.
09-96-39220	Public School	04/96	4,396	OS--Transferred to the TOP for offset.
10-93-22826	Nooksack	11/93	3,323	OS--Transferred to the TOP for offset.
08-86-43199	Am Indian	01/97	12,696	OS--Transferred to the TOP for offset.
09-93-24906	California	04/95	56,758	OS--Transferred to the TOP for offset.
04-04183	Columbus County Services	07/94	35,167	SAMHSA--Pursuing collection.
03-00353	DC Dept. of Human Services	04/95	257,195	SAMHSA--Pursuing collection.
09-40113	Marianas Assoc. for Retarded Citizens	05/96	1,023	SAMHSA--Pursuing collection.
09-39877	Amity, Inc.	07/98	489,110	SAMHSA--Pursuing collection.
09-48966	Karidat	09/97	8,696	SAMHSA--Pursuing collection.
03-03316	North Star Youth Services	03/93	518,575	SAMHSA--under appeal.
09-96-41444	Immigrant Center	03/97	2,495	CDC--Pursuing collection.
01-96-37165	Haitian American Public Health Initiative	03/97	20,209	CDC--Pursuing collection.
01-97-47924	Susan G. Komen Breast Cancer Foundation	05/98	47,893	CDC--Pursuing collection.
03-98-51634	City of Philadelphia, Pa.	06/98	93,690	CDC--Pursuing collection.
04-98-51239	State of Alabama	09/98	227,200	CDC--Pursuing collection.
03-96-41385	National Assoc. for Equal Opportunity in Higher Education	04/97	51,654	CDC--Pursuing collection.
05-96-40217	Wisconsin Association of Black Social Workers, Inc.	03/97	1,649	CDC--Pursuing collection.

SUMMARY OF OPDIV Audit Reports Over One Year Old

OPDIV	Number of Reports	Amount to Be Collected \$
Administration for Children and Families	93	49,384,030
Administration on Aging	0	0
Centers for Disease Control and Prevention	7	444,790
Food and Drug Administration	0	0
Health Care Financing Administration	105	145,081,321
Health Resources and Services Administration	15	213,905
Indian Health Services	4	951,934
National Institute of Health	0	0
Office of the Secretary	5	127,506
Program Support Center	4	159,822,108
Substance Abuse and Mental Health	6	1,309,766
TOTAL	239	162,211,314

TABLE II

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
Management Action on OIG Reports With
Recommendations That Funds Be Put to Better Use
As of September 30, 1999**

	Number	Disallowed Cost \$
A. Reports for which final action has not been taken by the commencement of the reporting period.	8	160,338,300
B. Reports on which management decisions were made during the reporting period.	45	862,432,973
Subtotal (A & B)	53	1,022,771,273
C. Reports for which final action was taken during the reporting period:		
(i) The dollar value of recommendations that were actually completed: -- based on management action: -- based on legislative action:	48	996,722,665
(ii) The dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	0
Subtotal (i & ii)	48	996,722,665
D. Reports for which no final action has been taken by the end of the reporting period. See Note 1.	5	26,048,608

Note 1: Includes the following list of 5 reports with recommendations to put funds to better that were pending for more than one year. These reports involve major policy questions as well as legislative remedies that are difficult and time consuming to resolve.

**Reports Containing Recommendations
To Put Funds To Better Use
Pending More Than One Year
As of September 30, 1999**

Audit No	Auditee	Date Issued	Amount \$	Explanations
04-95-02110	SC BC (Hospice of Lake & Sumter, Inc.) - ORT	04/97	2,500,000	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.
05-95-00060	Wisconsin Department of Health and Social Services	09/97	2,400,000	The State of Wisconsin plans to establish a workgroup to meet and review HMO financial data related to Medicaid HMOs.
06-92-00043	BC/BS of Texas, Inc.- GME Costs	03/94	4,078,960	Corrective action cannot be implemented pending the resolution of an objection lodged by the providers legal counsel with the OIG,OGC.
02-91-00860	Mental Health services in Nursing Homes - ORT	09/96	17,000,000	HCFA is developing changes to respond to comments.
06-95-00095	Palmetto Gov. Ben. Admin. (Fam. Hospice/Dallas) - ORT	04/97	69,648	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.

SUMMARY:

OPDIV: Health Care Financing Administration

Total Number of Reports: 5

Total Amount for Better Use: \$26,048,608

OFFICE OF INSPECTOR GENERAL SEMI-ANNUAL REPORT SUMMARY FY 1999

The following tables summarize actions taken on OIG recommendations to recover funds or to put them to better use.

TABLE I - REPORTS WITH QUESTIONED COSTS. This table summarizes the Department's response to the OIG's recommendations for the recovery or redirection of questioned and unsupported costs. Questioned costs are those costs that are challenged because of a violation of law, regulation, grant, etc. These may be costs claimed by a grantee, findings on Medicare reimbursements (such as errors in billings), ineligible beneficiaries, or where Medicare regulations are not followed. Administrative cost audits are also included where the OIG may find that a State inappropriately claimed administrative costs for a HHS program. Unsupported costs are those costs questioned because they are not supported by adequate documentation. This information is provided in accordance with the Supplemental Appropriations and Rescissions Act of 1980 (Public Law 96-304) and the Inspector General Act Amendments of 1988. These costs are separate from the amount ordered or returned as a result of OIG investigations.

		Number	Dollar Value	
			Questioned	Unsupported
A.	For which no management decision had been made by the commencement of the reporting period ¹	443	\$356,603,000	\$44,003,000
B.	Which were issued during the reporting period	201	\$212,070,000	\$6,168,000
Subtotal (A + B)		644	\$568,673,000	\$50,171,000
Less:				
C.	For which a management decision was made during the reporting period	278	\$265,673,000	\$28,140,000
	(i) dollar value of disallowed costs		\$251,499,000	\$19,618,000
	(ii) dollar value of costs not disallowed		\$14,174,000	\$8,522,000
D.	For which no management decision had been made by the end of the reporting period	366	\$303,000,000	\$22,031,000
E.	Reports for which no management decision was made within six months of issuance	540	\$475,370,000	\$6,900,000

¹ The opening balance was adjusted to reflect a net upward revaluation of recommendations in the amount of \$8.9 million.

Source: FY 1999 OIG Semi-Annual Reports

TABLE II- RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE. This table summarizes reports that include recommendations that funds be put to better use through cost avoidances, budget savings, etc. They can be achieved through legislative changes; specific program improvements to prevent unnecessary obligations for expenditures of agency funds; or improvements in agency systems or operations.

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period ¹	49	\$1,451,106,000
B. Which were issued during the reporting period	22	\$297,763,000
Subtotal (A + B)	71	\$1,748,869,000
Less:		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management		
(a) based on proposed management action	40	\$312,748,000
(b) based on proposed legislative action		
Subtotals (a + b)	40	\$312,748,000
(ii) dollar value of recommendations that were not agreed to by management	3	\$175,000
Subtotals (i + ii)	43	\$312,923,000
E. Reports for which no management decision was made by the end of the reporting period	28	\$1,435,946,000

¹ The opening balance was adjusted to reflect an upward revaluation of recommendations in the amount of \$206.5 million.

Source: FY 1999 OIG Semi-Annual Reports

GRANTS MANAGEMENT

As the largest granting component in the Federal Government, the Department of Health and Human Services (HHS) plays a key role in the Federal grants management arena. Through its 300 plus assistance programs, HHS awards nearly \$158 billion of the total Federal grants awarded (estimated to be over \$250 billion).

Grant awards are considered to be financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money, or property in lieu of money, to an eligible recipient. Most of the HHS grant dollars awarded are in the form of mandatory grants.

- **Mandatory grants** are those that a Federal agency is required by statute to award if the recipient, usually a State, submits an acceptable State Plan or application, and meets the eligibility and compliance requirements of the statutory and regulatory provisions of the grant program. In the past, mandatory grants were sometimes referred to as “formula grants.” Mandatory grants include block grants, closed-ended grants, and open-ended entitlement grants.
- The HHS **discretionary grant** awards comprise only 12.5 percent of the total HHS FY 1998 grant funds, but they account for 92 percent of the total number of HHS grant awards made in FY 1998. Discretionary grants are those that permit the Federal government, according to specific authorizing legislation, to exercise judgment, or “discretion,” in selecting the applicant/recipient organization, through a competitive grant process. The types of activities commonly supported by discretionary grants include demonstration, research, training, service, and construction projects or programs. Discretionary grants are sometimes referred to as “project grants.”

Stewardship and oversight responsibilities for HHS grant programs involve a variety of administrative functions being performed on an ongoing basis. These administrative functions include: assisting OMB in its revisions of key OMB Circulars pertinent to grants administration; providing training and developing related guidance documents on these revised OMB Circulars; conducting oversight through a “balanced scorecard” approach; strengthening HHS indirect cost negotiation capabilities; updating internal Departmental grants administrative procedures; and utilizing a department-wide grants management information system to organize and consolidate grants award data across all HHS grant programs.

During FY 1999, HHS continued to provide assistance to OMB on the government-wide cost principles for non-profits and universities and various cost management projects. In addition, HHS worked on a controversial revision to OMB Circular A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations,” concerning grantee data subject to the requirements of the Freedom of Information Act (FOIA).

HHS continued with its implementation of the Grants Policy Directive (GPD) system, which is replacing the Departmental Grants Administration Manual with current and concise policy guidance. Training sessions were conducted for headquarters and regional operations to update HHS grants management staff on the OMB Circular changes, and to provide clarification on existing regulatory guidance and internal grants administrative policies.

HHS also continues to operate the Tracking Accountability in Government Grants System (TAGGS) containing department-wide grants award information. TAGGS training was offered to grants management and program staff across HHS.

Access to TAGGS information was made available to HHS staff via the Intranet.

GrantsNet, an Internet application, continues to provide on-line access to the most up-to-date policies, regulations, and other pertinent grants-related information.

FY 1998 HHS GRANTS AWARDS

	TOTAL		MANDATORY		DISCRETIONARY	
	NUMBER	DOLLARS	NUMBER	DOLLARS	NUMBER	DOLLARS
TOTAL	59,689	\$157,903,292,908	4,736	\$138,156,439,610	54,953	\$19,746,853,298
ACF	6,588	\$35,469,380,896	2,729	\$30,792,440,700	3,859	\$4,676,940,196
AHCPR	373	\$64,305,612	0	\$0	373	\$64,305,612
AOA	695	\$849,592,216	605	\$838,799,647	90	\$10,792,569
CDC	2,204	\$1,925,728,831	61	\$179,574,631	2,143	\$1,818,580,573
FDA	144	\$21,642,729	0	\$0	144	\$21,642,729
HCFA	689	\$103,180,260,789	592	\$103,158,484,357	97	\$21,776,432
HRSA	6,400	\$3,395,880,020	408	\$1,212,674,078	5,992	\$2,183,205,942
IHS	1,108	\$503,115,801	57	\$442,377,835	1,051	\$60,737,966
NIH	39,981	\$10,295,685,376	0	\$0	39,981	\$10,295,685,376
OS	288	\$245,773,932	50	\$5,030,057	238	\$240,743,875
SAMHSA	1,219	\$1,951,926,706	234	\$1,599,484,678	985	\$352,442,028

The data in this report reflect awards made during FY 1998 since FY 1999 data is in the process of full reconciliation. The data will not necessarily agree with the FY 1998 or FY 1999 budget and accounting records (e.g., Medicaid's accounting adjustments) for several reasons. First, in some instances the data for awarded grants reflect, in addition to current year funds, the reobligations of prior years' funds. Second, costs of furnishing

personnel in lieu of cash are included in the grants data, but are recorded as personnel service costs in accounting records. Third, grants jointly funded are included in accounting records, but are not included herein unless awards are made by HHS programs. The number of grants is a count of projects or programs receiving grant funds, and is therefore less than a count of grant actions, since there may be multiple actions for a project in any fiscal year.

HIGHLIGHTS

- In FY 1998 HHS awarded nearly \$158 billion in grants; this included both discretionary awards totaling over \$19 billion, and mandatory awards totaling \$138 billion.
 - HCFA, which administers the Medicaid Program, awarded 65 percent (\$103.2 billion) of the total HHS grant funds, representing only 1 percent of the total number of grants. ACF awarded the next highest percentage (22.5 percent, \$35.4 billion) of the total HHS grant funds, representing 11 percent of the total number of grants.
 - The other ten OPDIVs awarded between 0.01 and 6.5 percent of the remaining 12 percent of HHS FY 1998 grant funds.
- NIH awarded 67 percent (39,981) of the total number of HHS grants in FY 1998, which is 52 percent of the discretionary grant funds, but only 6.5 percent of the total HHS grant funds in FY 1998. The remaining OPDIVs awarded between 0.24 and 10.7 percent of the total number of grants.
 - The six states receiving the most HHS mandatory grant funds (in billions) in FY 1998 are New York (\$17.8), California (\$16.9), Texas (\$8.5), Pennsylvania (\$6.5), Ohio (\$5.6), and Florida (\$5.3).

PROCUREMENT MANAGEMENT

In FY 1999, approximately 550 HHS procurement personnel awarded and administered about 280,000 procurement actions (excluding purchase card transactions), worth more than \$3.7 billion. Also, HHS obligated an additional \$1.6 billion from the Medicare Trust Fund for contracts with Medicare intermediaries and carriers. These procurement actions and contracts helped to meet the Secretary's goals of ensuring cost-effective health care and human services; ensuring the integrity of the Medicare Program; enhancing health promotion and disease prevention; improving access to health care for all Americans; and providing adequate support for biomedical research.

Major procurement accomplishments in FY1999 included the following:

- The Department awarded 170 performance-based contracts and modifications for a total of \$1.99 billion. This represents about a 70% and 25% increase in the volume and dollar value of performance-based contracting - - respectively - - from the previous fiscal year. Performance-based contracting is one of the Administration's highest priorities.
- HHS used purchase cards to conduct over 500,000 micro-purchases.
- The Department submitted its first annual Commercial Activities Inventory under the FAIR Act, and set in place a procedure for responding to challenges and appeals.
- HHS used three Electronic Commerce methodologies - - Internet-posted solicitations, FACNET and ECWeb to issue 1,525 electronic solicitations for simplified acquisitions and major procurements.
- The Department began to conduct Web-based customer, contractor, employee and manager surveys under its Acquisition Balanced Scorecard. This initiative will result in an estimated annual cost savings of \$7,000 per contracting office, as well as a reduction of between 20 and 30 days of personnel effort per contracting office. OPDIV burdens and costs have been reduced substantially because printing and mailing survey instruments and reminder notices - - as well as data entry and verification - - are no longer necessary.
- Using web-based and JAVA-oriented technologies, HHS continued to enhance the query and reporting capabilities of its Departmental Contracts Information System (DCIS). This has resulted in improvements to the reliability, timeliness and utility of HHS's procurement data, as well as better support for executive decision-making. Also, in addition to servicing its OPDIV clients, HHS began to provide DCIS support to a new customer - - the Treasury Department - - under a reimbursable agreement.
- The Department's Acquisition and Project Officer Training Program provided comprehensive, formal training for both contracting professionals and project officers. Contracting personnel used 1,780 training slots and project officers used 2,909 training slots. HHS experienced success with its interactive CD-ROM Project Officer instructional module; initiated the development of a training module and knowledge repository on Performance-Based Contracting; and developed a course in the high profile area of Earned Value Project Management. The Department also redesigned its overall curricula to reflect a new competency-

based, matrix-oriented training approach (for FY2000 and beyond).

- The Department conducted oversight of CDC's National Pharmaceutical Stockpile Program; monitored the selection decision to use the Department of Veterans Affairs as a partner; and supported the negotiation of the interdepartmental Memorandum of Agreement that underlies the program.
- HHS facilitated the transition of long-distance telecommunication services from GSA's FTS 2000 to the FTS 2001 program; selected MCI World-Com as the Department's new long-distance service provider; and awarded a contract to SAIC to provide Transition and Management Support (TMS) services for the Department.

- On behalf of the Department, NIH continued to refine HHS's user-friendly "Contractor Performance System"- - which gauges the past performance of government contractors. For example, NIH added a link to GSA's "List of Parties Excluded from Federal Procurement and Non-procurement Programs". Further, the system now has the capability to search and update Project Officer information. Also, NIH continued to add Federal agencies to its customer base.

We will continue to focus on sharing successful practices that are identified through our acquisition performance measurement and improvement system.

HHS OPDIV Net Outlays: 1989-1999

HHS Agency	FY 1999	%	FY 1998	FY 1997	FY 1996
Food and Drug Administration	950	0.3%	837	873	865
Health Resources and Services Administration	3,860	1.1%	3,473	3,526	3,960
Indian Health Service	2,193	0.6%	2,145	2,139	1,997
Centers for Disease Control & Prevention	2,428	0.7%	2,409	2,248	2,166
National Institutes of Health	13,802	3.8%	12,486	11,171	10,209
Substance Abuse and Mental Health Svs Adm.	2,214	0.6%	2,235	1,622	2,084
Agency for Healthcare Research and Quality 5/	79	0.0%	77	110	81
Health Care Financing Administration	299,014	83.1%	294,016	285,523	266,164
Administration for Children & Families	33,624	9.3%	31,584	31,023	31,023
Office of the Secretary	377	0.1%	233	206	195
Administration on Aging	879	0.2%	828	828	818
Program Support Center	280	0.1%	247	224	240
HHS SUBTOTAL	359,700	100.0%	350,570	339,493	319,802
"Old" HHS agencies that no longer exist as separate agencies in HHS:					
OASH 1/					
SSA 2/					
ADAMHA 3/					
FSA 4/					
OHDS 4/					
HHS TOTAL	359,700		350,570	339,493	319,802

1/ OASH accounts were merged into OS and PSC in FY 1996.

2/ SSA separated from HHS at end of FY 1994.

3/ Three components of ADAMHA were transferred to NIH and rest of ADAMHA became SAMHSA.

4/ AoA separated from OHDS when OHDS and FSA combined to become ACF.

5/ Agency name changed from the Agency for Health Care Policy and Research pursuant to Public Law 106-1.

